





Is your out-of-state business planning to operate in Washington?

Your out-of-state businesses will need to comply with Washington laws and regulations if you:

- Purchase a Washington business.
- Open a physical location in Washington.
- Perform on long-term or short-term contracts in Washington.
- Hire employees who work from their homes in Washington.

1

Are you buying an existing Washington business?

If you're buying a business or even just some of the assets of a business, be aware that you may inadvertently be buying past liabilities, workers' compensation and unemployment insurance experience ratings, as well as unpaid debts. As the buyer of a business, you could be liable for the unpaid taxes of the former owner. Therefore, you should require the owner to provide a [Tax Status Letter](#) with regard to any outstanding taxes owed by the business. You may also need to pay [Use Tax](#) to the Department of Revenue on the value of tangible assets included in the purchase, such as equipment, furnishings, supplies, etc. Get competent legal advice before purchasing a business.

2

Foreign (non-Washington) Registration - corporations and limited liability companies

What is your company's business structure: sole proprietorship, partnership, corporation or limited liability company (LLC)? If it's a corporation or limited liability company (LLC), obtaining a "[foreign profit corporation - certificate of authority](#)" or "[foreign LLC registration](#)" in Washington through the [Office of the Secretary of State](#) is typically a first step.

Failure to register your out-of-state corporation or LLC can lead to legal challenges and affect your ability to obtain financing or win contracts. It can also lead to individual owner responsibility for liabilities. Registration is required for all contractors and many businesses requiring Washington specialty licenses and certifications. Talk with your legal advisor to understand the benefits and risks.

Registration will require that you designate a “registered agent” in Washington, a Washington-based person or business with a physical address who is to receive your official business entity notifications.

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Obtain required licenses and permits

Most businesses are required to be licensed at both the state and local levels, and many need [professional licenses](#) too. You will likely need licenses in every location where you do business; not just where you’re based. Also, some businesses require additional permits.

The online [Business Licensing Guide](#) is a helpful tool. Use it to learn the licensing and permitting requirements for your specific business. Enter your intended business activity, location and other key information, and receive an online list of specific licenses and permits that are likely to be required.

- When you file your Washington [Business License Application](#), be prepared to address the following:
 - General business information including physical location and ownership.
 - A rough estimate of your expected gross annual revenues.
 - Whether you intend to hire employees within 90 days of start-up.
 - Whether you will want [optional workers’ compensation coverage](#) for business owners. If owners don’t opt in, they won’t be covered for on-the-job injuries.
- The [Business License Application](#) is the state business license form and establishes your accounts with multiple Washington state agencies, including the Departments of Revenue, Employment Security and Labor & Industries. Some [local](#) and [specialty](#) licenses can be obtained by using the Business License Application. Follow the links above for information on local and specialty license fees.
- For information about local licenses NOT handled through the Business License Application, contact each [city or town](#) where you will be conducting business.



- Some businesses require professional licenses, such as architects, engineers, health care providers, counselors, attorneys, CPAs, etc. For information and requirements, contact the [licensing authority](#) for that profession.
- Food-related businesses (such as restaurants, coffee stands, caterers, food product manufacturers, etc.) will need kitchen and food handler permits. Contact your [county health department](#). Food and beverage manufacturers and processors will need licensing from the [Washington Department of Agriculture](#). If you plan to sell, serve, or produce alcoholic beverages, you will need a liquor license. Contact the [Business Licensing Service](#) for more information.
- Businesses in the construction trades must be [registered as contractors](#), which requires bonding and insurance. Be aware that even marketing or bidding for a construction job requires that you be registered as a contractor.
- Businesses that have environmental impacts may need permits at the county and/or state level. Contact your county health department and the state [Office for Regulatory Innovation and Assistance](#) for more information.
- Lodging establishments, such as hotels and motels, must be licensed through the state [Department of Health](#).
- Businesses providing residential care and businesses providing medical and health services must be licensed through the state [Department of Health](#).
- Child care businesses must be licensed through the state [Department of Early Learning](#).

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Hire employees in Washington

- Prepare to hire employees, if needed. Having employees with the right attributes and skills for your business is critical for successful growth. There are resources to help you with employment planning, including [Workforce Explorer](#).
- There are also programs to help you find and train qualified employees.
 - [WorkSource](#) can bring you applicants that are skilled and ready to work.
 - Job fairs and [free, online job posting](#) can help increase your pool of applicants.
 - [Tax credits](#) can help lessen the cost of new employees.
 - Options for employee [training assistance](#).
 - [On-the-job training wage subsidies](#).
 - Employee training resources - [Career Bridge](#).
 - [Apprenticeship programs](#).

- Information from your Business License Application will be forwarded to the Employment Security Department to set up a state unemployment tax account, and the Department of Labor & Industries to set up a workers' compensation account and obtain your minor work permit, if applicable. You will have quarterly filing responsibilities with both agencies, plus the Internal Revenue Service (IRS) (see the [RUN Your Business](#) chapter of the Small Business Guide).
- Every new employee will need to complete the federal [I-9 Employment Eligibility Verification Form](#) within 3 days of hire, and the [IRS W-4 Form](#).
- You will need to report each new employee or re-hired employee through the New Hire Reporting Program within 20 days of hire. You can report through the Washington Department of Social and Health Services [New Hire Reporting Program](#) or, if you register as a [multi-state employer](#), you can report all new hires to one state.
- Be aware that employment is an area of significant regulation, including minimum wage, overtime pay, employment of minors and family members, workplace safety, etc.
- The use of independent contractors is a frequently misunderstood area. Unless an individual is truly in business for himself or herself, is licensed and actively markets as such, has multiple clients/customers, and is performing work that is outside your normal business activities, chances are state and federal law require that the individual be treated as an employee.
- Employment is also an area of significant recordkeeping and taxation. It's important that you understand those regulations and costs as you plan your business.
 - [Wage and hour laws \(such as minimum wage, overtime, breaks, etc.\)](#)
 - [Workplace poster requirements](#)
 - [Employment of minors](#)
 - [Independent contractors \(Labor & Industries\)](#)
 - [Independent contractors \(Employment Security\)](#)
 - [Independent contractors \(IRS\)](#)
 - [Workplace safety \(including required written accident prevention plan\)](#)
 - [Federal payroll taxes](#)
 - [State unemployment taxes](#)
 - [Workers' compensation insurance](#)
 - [Child Support Withholding Laws](#)
 - [City of Seattle sick leave requirement](#)



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File required reports and taxes

State business taxes:

Washington State does not have a personal or business income tax. Instead, its tax structure includes the Business & Occupation Tax, sales and use taxes, property taxes, and a variety of industry-specific taxes. The Washington [Department of Revenue](#) (DOR) administers over 60 different taxes.

State taxes include:

- [Business and Occupation \(B&O\) tax](#) – This is a tax on the business’s gross revenue. In addition to the state B&O tax, many cities and towns also impose local B&O taxes (see below).
- [Sales tax](#) – Businesses collect sales taxes from customers on the sale of most retail products, construction activities, and some services. Because sales tax is [destination-based](#), businesses that collect sales tax must charge the tax rate of the location where the product or service was delivered. DOR has a [look-up tool](#) to determine tax rates and the location code.
- [Use tax](#) – Use sales tax applies when businesses make purchases without paying sales tax, such as internet purchases or purchases made in Oregon.
- [Real and Personal Property Taxes](#) – Businesses pay a property tax based on the value of real estate, buildings and other structures, furnishings, equipment and other assets. Property tax is collected by counties rather than by DOR.
- [Industry-specific taxes](#) – There are a variety of taxes that apply to specific industries, such as hotel/motel, rental cars, cigarettes, etc. Click the heading to see if any specific taxes apply to your business.

The taxes listed above are required for out-of-state businesses, including the B&O tax if there is “economic nexus.” A business has economic nexus in a tax year if one or more of the following is true:

- More than \$50,000 of payroll in Washington
- More than \$50,000 of property in Washington
- More than \$250,000 of gross income in Washington
- At least 25% of total property, payroll, or income in Washington

See DOR’s [economic nexus website](#) for more information, including instruction on apportioning income.

Most businesses need to [file an excise tax return](#) with DOR. Your tax [filing frequency](#), assigned after you submit your Business License Application, is based on an estimate of the amount of tax you will owe. If you are assigned a monthly or quarterly filing frequency, then you are required to file your taxes electronically using [E-file](#), DOR's online filing system, and pay electronically using one of several payment options. For assistance with E-file registration and filing, call 1-800-647-7706. If you are unable to file electronically, you can request a [waiver](#).

Below are links to additional information and tools provided by DOR to assist in tax calculation and reporting:

- [Business Tax Guide](#)
- [New Business Tax Workshops Schedule](#)
- [New Business Tax Workshop Guide](#)
- [Common tax classifications](#)
- [Industry specific guides](#)
- [Tax incentives & specialized credits](#)
- [Reseller permits](#)
- [Look up a sales tax rate](#)
- [Send us your general tax questions](#)
- [Request a tax ruling](#)
- [Unclaimed property](#)
- [Update business information](#)

Consult your tax professional for further information. DOR cannot discuss confidential tax account information with a tax representative/preparer until you complete a [Confidential Tax Information Authorization](#) form.

Local business taxes:

Cities & towns

Most cities and towns have a local sales tax and a local business & occupation (B&O) tax. DOR collects sales tax for local communities, but cities and towns collect their own local B&O. Depending on the amount of money your business makes, your local B&O tax may be due quarterly or annually. Contact the [cities and towns](#) where you do business for more information.



Counties

Counties are responsible for assessing and levying property tax on both real property and personal property. While the title “personal property” may not imply as such, it includes business furnishings, fixtures, equipment, supplies and other assets.

Personal property tax

Most people know that [property tax](#) applies to real property; however, some may not know that property tax also applies to personal property. Most personal property owned by individuals is exempt. For example, household goods and personal effects are not subject to property tax. However, if these items are used in a business, property tax applies. Personal property tax does not apply to business inventories, or intangible property such as copyrights and trademarks.

Personal property is subject to the same levy rate as real property. The characteristic that distinguishes real and personal property is mobility. Real property includes land, structures, improvements to land, and certain equipment affixed to land or structures. Personal property includes machinery, equipment, furniture, and supplies of businesses and farmers. It also includes any improvements made to land leased from the government (leasehold improvements).

Property taxes are due April 31 and October 31 of each year. Contact the [counties](#) where you do business for more information.

State employment taxes:

- [Unemployment taxes](#) are due quarterly to the Department of Employment Security (ESD). Reporting and payment is generally done on-line. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Taxes are calculated based on the [rate](#) provided to your business by Employment Security, multiplied by each employee’s wages up to [annual maximum](#). Additional information about Unemployment Insurance taxes and benefits is available through the [ESD website](#).
- [Workers’ compensation premiums](#) are due quarterly to the Department of Labor & Industries (L&I). Reporting and payment is generally done on-line. Due dates are April 30, July 31, October 31 and January 31 for the preceding calendar quarters. Premiums are calculated based the risk classification rate(s) provided to your business by L&I,

multiplied by the hours worked by employees in that risk classification. Employers can deduct from employees' pay a portion of the premium amount, as shown on the rate notice received from L&I. Additional information about Workers' Compensation is available through free [Employer's Introduction to L&I Workshops](#).

License and Permit Renewals:

- Corporations, limited liability companies, and limited partnerships must file an annual report. Profit corporations and limited liability companies file annual reports with the [Business Licensing Service](#). Nonprofit corporations and limited partnerships file their annual reports with the [Secretary of State](#).
- Your state's business license does not need to be renewed. However, many [specialty licenses](#), [local licenses](#) and [professional licenses](#) do require annual renewal. Keep track of your renewal dates to ensure your licenses are current and to avoid extra fees.
- Renewal of [contractor registration](#) is required every two years, and cost \$113.40. You renew your registration with L&I. L&I also renews specialty licenses related to trades (such as [electrical](#), [plumber](#), etc.).
- [Health provider license and facility renewals](#).
- If you are now doing business in cities and towns where you weren't licensed previously, you will need to get additional local licenses. "Doing business" can include sales, delivery, installation, or service. Contact the [cities or towns](#) for further information.

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Understand and comply with other Washington regulations

State

- [Department of Agriculture](#) – Regulates food safety, product labeling, pesticides, crops and livestock, etc.
- [Office of the Attorney General](#) – Oversees consumer protection, etc.
- [Department of Ecology](#) – Regulates waste, pollutants, and water rights, etc.
- [Department of Financial Institutions](#) – Regulates franchise requirements, business investments, and business loans, etc.
- [Human Rights Commission](#) – Regulates public accommodations and non-discrimination, etc.



- [Department of Labor and Industries](#) – Regulates [workplace safety](#), [workers' compensation](#), and [employment regulations](#), etc.
- [Liquor Control Board](#) – Issues liquor licenses. Educates and enforces laws and regulations on productions, sale, and serving of alcohol.
- [Department of Natural Resources](#) – Regulates forest practices, surface mining, etc.
- [Office for Regulatory Innovation and Assistance](#) – Helps businesses and citizens navigate complex permitting and licensing requirements.
- [Utilities and Transportation Commission](#) – Regulates taxi and limousine services, moving and trucking services, etc.

Local

- [County health departments](#) – Regulate food establishments, hazardous materials, environmental health, etc.
- [County assessors](#) – Provide valuations of business real estate, equipment, furnishings and other assets for property tax purposes.
- [Cities](#) – Regulate zoning, signage, parking, and issues building and business permits, etc.
- [Fire departments](#) – Regulate fire code.
- [City of Seattle](#) – Has paid sick leave requirement.

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Growing in Washington

We welcome you to Washington and encourage you to grow in our state. See the "[GROW Your Business](#)" chapter of the Small Business Guide for information and resources for expansion.

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Need assistance?

State of Washington [Small Business Liaisons](#) can help you get the information and resources you need. Also, help us improve the Small Business Guide by filling out a short, confidential [survey](#).